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FACILITY SITE AND METHANE COLLECTION SYSTEM LEASE

BY AND BETWEEN

ATLANTIC PIER COMPANY, INC.,

AND

APLC, INC.

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FACILITY SITE AND METHANE COLLECTION SYSTEM LEASE

THIS AGREEMENT, made this 30th day of June, 1995, is by and between Atlantic Pier Company, Inc. a New Jersey Corporation located at 171 Palmer Street, Borough of Belford, County of Monmouth, State of New Jersey ("APC") and APLC, INC., a New Jersey Corporation with an address of 171 Palmer Street, Borough of Belford, County of Monmouth, State of New Jersey ("ALPC").

WHEREAS, Atlantic Pier Company, Inc. ("APC") is the owner of certain real property located in the Township of Manchester, County of Ocean, State of New Jersey more particularly described in Schedule "A" attached hereto which property has been and is currently utilized as a solid waste landfill facility in accordance with a NJDEP Solid Waste Facility permit issued to OCLC.

WHEREAS, APC has leased the above real property to OCLC pursuant to a lease dated January, 1985, as amended from time to time; and

WHEREAS, OCLC has developed and constructed on said real property a methane gas collection system; and

WHEREAS, OCLC released and reconveyed all of its interest in a portion of the real property, conveyed by the 1985 Lease Agreement, back to APC; and

WHEREAS, OCLC also agreed to permit APC and its designees the right to utilize the methane collection system; and

WHEREAS, ALPC desires to lease from APC that certain portion of said real property released from the 1985 Lease Agreement by OCLC; and

WHEREAS ALPC also desires to lease from APC the methane collection system; and

WHEREAS, Manchester Renewable Power Corporation ("MRPC") has entered or will enter into a Power Purchase Contract for the sale of electric power from a small power production facility to be located on the Leased Premises;

NOW, THEREFORE, in consideration of the promises and mutual benefits and covenants herein contained, and other good and valuable consideration, the parties hereby agree as follows:

ARTICLE 1. DEFINITIONS

1.01. For the purposes of this Agreement, the following designations shall have the meaning defined in this Article:

- (a) "Building" means that structure to be constructed pursuant to the Facility Site Lease on the Leased Premises to house the Facility.
- (b) "Methane Collection System" means the system of subsurface piping and other appurtenant facilities existing on and under or to be installed on or under the real property subject to the 1985 Lease Agreement as defined herein, and utilized for the purpose of collecting the Landfill Gas.
- (c) "Commercial Operation" means the date on which MRPC commences the production of electrical energy from the Facility, as defined herein, for sale to the power purchaser pursuant to the terms and conditions of the Power Purchase Contract as defined herein.
- (d) " Gas Flare System" means that gas flare and appurtenant equipment system more specifically described in the approved engineering plans for the OCLC facility.
- (e) "Facility" means the small power production facility to be constructed, operated and maintained on the Leased Premises by MRPC.

(f) "Gas Rights" means all rights in and to the biomass derived methane gas in and under the Leased Premises.

(g) "Gas" or "Natural Gas" or "Landfill Gas" means any gaseous mixture of hydrocarbons and noncombustible gases produced from the decomposition of biomass deposited in and under the real property subject to the 1985 Lease Agreement.

(h) "Leased Premises" means that real property located within the Township of Manchester, County of Ocean and State of New Jersey, more particularly described in Schedule "B" attached hereto and made a part hereof, upon which the Facility and Building will be constructed, operated and maintained.

(i) "1985 Lease Agreement" is that lease, dated January 1985, as amended from time to time, wherein APC leases to OCLC certain real property.

(j) "Power Purchase Contract" means the agreement entered into or to be entered into between MRPC and the public utility or other entity purchasing the electrical energy and capacity from the Facility ("Power Purchaser").

ARTICLE 2. LEASE OF PROPERTY

Agreement to Lease and Grant of Gas Rights

2.01. APC agrees to lease to APLC the Leased Premises which consists of a certain portion of the real property which was formerly subject to the 1985 Lease Agreement. The Leased Premises is more particularly described in the schedule attached hereto and made a part hereof as Schedule "B".

Grant of Licenses

2.02. APC hereby grants APLC the following non-exclusive licenses:

(i) A non-exclusive license over APC's other property to permit ingress and egress to the Leased Premises, being shown and described on the map attached hereto as Exhibit "C".

(ii) A non-exclusive license over APC's other property to permit the installation and maintenance of utility poles to carry electricity to and from the Leased Premises, being shown and described on the map attached hereto as Exhibit "D".

The non-exclusive licenses as described in subparagraphs (i) and (ii) above shall be limited strictly to the above described purposes and shall terminate upon the expiration or earlier termination of this Agreement. APLC shall not record or cause to be recorded either of the above non-exclusive licenses. APLC shall have the right to assign the non-exclusive licenses to MRPC.

Lease of Methane Collection System

2.03. APC hereby leases the Methane Collection System to APLC pursuant to the terms and conditions of this lease.

Landfill Gas Rights

2.04 APC hereby grants, demises and conveys to APLC all of its rights, title and interest in and to the Landfill Gas in and under said Leased Premises ("Gas Rights"). During the term of this Agreement, APC shall retain no rights or interest in the Landfill Gas.

ARTICLE 3. RENT

Fixed Rent

3.01. APLC agrees to pay to APC as fixed rent, for the use of the Leased Premises and the Gas Rights to the Landfill Gas and use of the Methane Collection System, [REDACTED]

Commencement and Limitation of Fixed Rent

3.02. The fixed rent shall commence upon Commercial Operation as defined herein, and shall be payable only upon receipt of revenue by APLC from GASCO, L.L.C. pursuant to a certain "Sublease of Landfill Gas Collection System" ("Sublease Agreement") by and between APLC and GASCO L.L.C.. In no event shall APLC be obligated to pay fixed rent to APC in an amount exceeding payments received by APLC under the Sublease Agreement in a calendar year.

3.03. In the event that APLC's fixed rent payments [REDACTED] due to the Sublease Agreement limitation, then the amount of any such shortfall shall be carried forward as a credit to APC and paid by APLC in subsequent years in the amount by which revenue payments as described in Section 3.02 [REDACTED]

Taxes and Assessments as Additional Rent

3.04. APLC shall pay the full amount of all real property taxes and assessments imposed upon the Leased Premises during the term of this lease. APLC may assign this obligation to any sublessee or assignee.

ARTICLE 4. TERM

4.01. This Agreement shall be effective as of the date hereof and shall continue thereafter as long as the Power Purchase Contract remains in effect. In the event the Power Purchase Contract is terminated or otherwise expires, and unless it is replaced by another Power Purchase Contract, then this Agreement shall likewise be terminated and expire simultaneously therewith.

4.02 In the event that any governmental or regulatory approval or permit deemed necessary or advisable to consummate the transactions contemplated hereunder are not received, any party may terminate this Agreement. Such right of termination shall only be exercisable upon the failure to

receive a governmental or regulatory approval or permit deemed necessary or advisable to consummate the transactions contemplated hereunder. This Agreement may also be terminated upon the failure of MRPC to enter into the Power Purchase Contract acceptable to Landfill Energy Systems, Inc. and the approval of said contract by the N.J.B.R.C. The rights granted pursuant to this section shall expire upon the earlier to occur of (i) Commercial Operation of the Facility pursuant to the Power Purchase Agreement, or (ii) December 31, 1995.

ARTICLE 5. USE OF PREMISES

Sublet To MRPC

5.01. APC hereby permits APLC to sublet the Leased Premises to MRPC or any affiliate of APLC.

Sublet to GASCO

5.02. APC hereby permits APLC to sublet the Methane Collection System either collectively or separately to GASCO, L.L.C. or any affiliate of APLC.

Use by MRPC

5.03. APLC and its permitted sublessees, shall be permitted to use the Leased Premises and the Methane Collection System to operate the existing landfill gas collection system, and construct and operate a small power production facility ("Facility"), which shall combust such Landfill Gas to generate electric energy for sale pursuant to the Power Purchase Contract. The Leased Premises shall not be used or allowed to be used for any other purpose without the prior written consent of APC.

Construction of Building

5.04. APLC shall be permitted to construct the Building on the Leased Premises to house the Facility.

ARTICLE 6. REPAIRS AND MAINTENANCE

APC's Responsibility

6.01. APC shall, throughout the term of this lease and any extensions of that term, at its own cost and expense, operate and maintain, or cause to be operated and maintained, the Methane Collection System in good order and condition, including but not limited to making all repairs and replacements necessary to keep the premises and improvements in such condition. All maintenance, repairs and replacements required by this section must be performed promptly when required and in accordance with all applicable laws, rules and regulations.

6.02. Except as otherwise provided in this lease, APLC shall, throughout the term of this lease and any extensions of that term, at its own cost and expense, maintain the Leased Premises in good order and condition, including but not limited to making all repairs and replacements necessary to keep the premises and improvements in such condition. All maintenance, repairs and replacements required by this section must be performed promptly when required and in accordance with all applicable laws, rules and regulations.

APLC's Failure to Repair or Maintain

6.03. In the event APLC fails to perform its obligation to repair, replace or maintain, as set forth in Paragraph 6.02 above, after notice from APC of the need for such repair, replacement, or maintenance and the passage of a reasonable amount of time for performance after such notice, APC may enter the Leased Premises and make such repairs or replacements, or perform such maintenance or cause such repairs or replacements to be made or maintenance to be performed, at its own expense. Upon APC's notice to APLC of the performance and cost of any maintenance, repairs, or replacements pursuant to this section, APLC must immediately reimburse APC for any reasonable costs incurred

by APC pursuant to this section, together with interest on any such sum at the highest legal rate from the date of the notice until the date paid by APLC to APC.

ARTICLE 7. UTILITIES

7.01. APLC shall pay or cause to be paid all utility charges for water, electricity, heat, gas and telephone service used in and about the Leased Premises during the term of the lease, all such charges to be paid by APLC or its assignee or designee directly to the utility company or municipality furnishing the same, before the same shall become delinquent.

ARTICLE 8. INSURANCE

Property Insurance

8.01. APLC shall, during the term of this lease, keep or cause to be kept, all buildings and improvements on the Leased Premises insured against loss or damage by fire or theft, to include direct loss by vandalism, windstorm, hail, explosion, flood, riot, as well as any and all damage caused by, arising out of, or in any way related to the use of the Leased Premises by MRPC, its employees, agents, licensees, or designees, in an amount not less than the full fair insurable value of the Building. The insurance is to be carried by one or more insurance companies licensed to do business in New Jersey. Such policy or policies of insurance shall name both APC and APLC and its assignees and designees as named insured. The policies shall provide that any proceeds for loss or damage to Buildings shall be payable solely to APLC and its assignees and designees.

Liability Insurance

8.02. APLC shall provide and maintain, or cause to be provided and maintained, in force during the term of this lease, liability insurance in an amount not less than the greater of (i) \$1,000,000.00, or (ii) the amount, if any, required under the Power Purchase Contract, covering APC

as well as APLC, for any liability for property damage, including environmental contamination, or personal injury arising as a result of APLC's occupation or APC's ownership of the Leased Premises. This insurance is to be carried by one or more insurance companies authorized to transact business in New Jersey.

Remedy for Failure to Provide Insurance

8.03. APLC shall furnish APC with certificates of all insurance required by this article. If APLC does not provide such certificates upon APC's delivery of possession to APLC, or if APLC allows any insurance required under this Article to lapse, APC may, at its option take out and pay the premiums on the necessary insurance to comply with APLC's obligations under the provisions of this Article. APC is entitled to reimbursement from APLC for all amounts spent by it to procure and maintain such insurance, with interest at the rate of 8 percent per annum from the date of receipt of OCLC's notice of payment until reimbursement by APLC.

Insurance Provided by Subtenants and Assignees

8.04. Any and all obligations to be performed by APLC under this Article may be performed by any entity as a sublessee or assignee of APLC. Any such performance shall be deemed full performance of APLC.

ARTICLE 9. DEFAULT

APLC's Default

9.01. If APLC allows the rent to be in arrears more than 30 days after written notice of that delinquency, or if APLC remains in default under any other condition of this lease for a period of 30 days after written notice from APC or if the Power Purchase Contract is terminated and a replacement contract is not executed, APC may at its option, without further notice to APLC, terminate this lease

or, in the alternative, APC may reenter and take possession of the Leased Premises and remove all persons and property without being deemed guilty of any manner of trespass.

APC's Lien

9.02. It is expressly agreed that, in the event of default by APLC in the payment of rent or any other sum due from APLC to APC under the terms of this lease, APC shall have a lien upon all fixtures, chattels, or other property of any description belonging to APLC that are placed in, or become a part of, the Leased Premises as security for rent due and to become due for the remainder of the current lease term and any other sum due from APLC to APC. This lien shall not be in lieu of, or in any way affect, the statutory lessor's liens given by law but shall be in addition to those liens, and APLC grants to APC a security interest in all of APLC's property placed in or on the Leased Premises for purposes of this contractual lien. In the event APC exercises the option to terminate the leasehold, reenter, and relet the Leased Premises as provided in the preceding paragraph, then APC, after giving reasonable notice to APLC of the intent to take possession and giving an opportunity for a hearing on the matter, may take possession of all of APLC's property on the Leased Premises and sell it at public or private sale after giving APLC reasonable notice of the time and place of any public sale or of the time after that any private sale is to be made, for cash or on credit, for such prices and terms as APC deems best, with or without having the property present at the sale. The proceeds of the sale shall be applied first to the necessary and proper expense of removing, storing, and selling such property, then to the payment of any rent due or to become due under this lease, with the balance, if any, to be paid to APLC.

Default by APC

9.03. If APC defaults in the performance of any term, covenant, or condition required to be performed by it under this agreement, APLC may elect to do either one of the following:

a. After not less than 30 days' notice to APC, APLC may remedy such default by any necessary action and, in connection with such remedy, may pay expenses and employ counsel. All sums expended, or obligations incurred, by APLC in connection with remedying APC's default shall be paid by APC to APLC on demand and, on failure of such reimbursement, APLC may, in addition to any other right or remedy that APLC may have, deduct these costs and expenses from rent subsequently becoming due under this lease.

b. APLC may terminate this lease on giving at least 30 days' notice to APC of such intention. In the event APLC elects this option, the lease will be terminated on the date designated in APLC's notice, unless APC has cured the default prior to expiration of the 30-day period.

Cumulative Remedies

9.04. All rights and remedies of APC and APLC under this Article shall be cumulative, and none shall exclude any other right or remedy provided by law or by any other provision of this lease. All such rights and remedies may be exercised and enforced concurrently and whenever, and as often, as occasion for their exercise arises.

Waiver of Breach

9.05. A waiver by either APC or APLC of a breach of this lease by the other party does not constitute a continuing waiver or a waiver of any subsequent breach of the lease.

ARTICLE 10. OWNERSHIP

10.01. The Methane Collection System is, and shall at all times remain, the property of the OCLC and APLC shall have no right, title, or interest in said Methane Collection System except as expressly set forth in this lease. The Methane Collection System is, and shall at all times remain, personal property notwithstanding that the Methane Collection System or any part of it may become affixed or attached in any manner to real property or any improvements on real property.

ARTICLE 11. MISCELLANEOUS

Notices

11.01. All notices required under this lease must be given by certified mail or registered mail, addressed to the proper party, at the following addresses:

APLC
171 Palmer Street
Belford, New Jersey

APC
171 Palmer Street
Belford, New Jersey

Any party may change the address to which notices are to be sent by giving the other parties notice of the new address in the manner provided in this section.

Parties Bound

11.02. This agreement shall be binding upon, and inure to the benefit of, the parties to this agreement and their respective heirs, successors, and assigns when permitted by this agreement.

New Jersey Law to Apply

11.03. This agreement shall be construed under, and in accordance with, the law of the State of New Jersey, and all obligations of the parties created by this lease are performable in Ocean County, New Jersey.

Legal Construction

11.04. In case any one or more of the provisions contained in this agreement shall for any reason be held by a court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of the agreement, and this agreement shall be construed as if the invalid, illegal, or unenforceable provision had never been included in this agreement.

Prior Agreements Superseded

11.05. This agreement constitutes the sole and only agreement of the parties to the agreement and supersedes any prior understandings or written or oral agreements between the parties respecting the subject matter of this agreement including but not limited to the letter of intent dated February 15, 1994.

Amendment

11.06. No amendment, modification, or alteration of the terms of this agreement shall be binding unless it is in writing, dated subsequent to the date of this agreement, and duly executed by the parties to this agreement.

Force Majeure

11.07. No party shall be required to perform any term, condition, or covenant in this lease so long as such performance is delayed or prevented by force majeure, which shall mean acts of God,

strikes, lockouts, material, labor restrictions or any other adverse decisions, actions, resolutions, injunctions or other activity by any governmental, administrative or judicial authority, civil riot, floods, and any other cause not reasonably within the control of the party and which by the exercise of due diligence said party is unable, wholly or in part, to prevent or overcome. Any such occurrence shall be deemed a failure attributable to a "Force Majeure Event".

Such failure shall not be deemed to be a violation by such party of its obligations hereunder. A party shall give notice and full particulars of such Force Majeure Event as soon as possible after the occurrence thereof. The obligations of the party unable to perform by reason of the Force Majeure Event shall be suspended for the duration of any Force Majeure Event; provided however, that this provision shall not relieve any party of its obligation to make money payments hereunder with respect to prior periods.

The party giving such notice shall with all reasonable dispatch undertake such actions within its control to remedy the Force Majeure Event and resume the performance of its obligations hereunder.

Corporate Resolutions

11.08. All parties hereto shall provide corporate resolutions, fully executed and in proper form, authorizing the appropriate corporate officers to execute and deliver this agreement on behalf of their respective corporations.

IN WITNESS WHEREOF, the parties have duly set their hands and seals the day and year first
above written.


WITNESS:

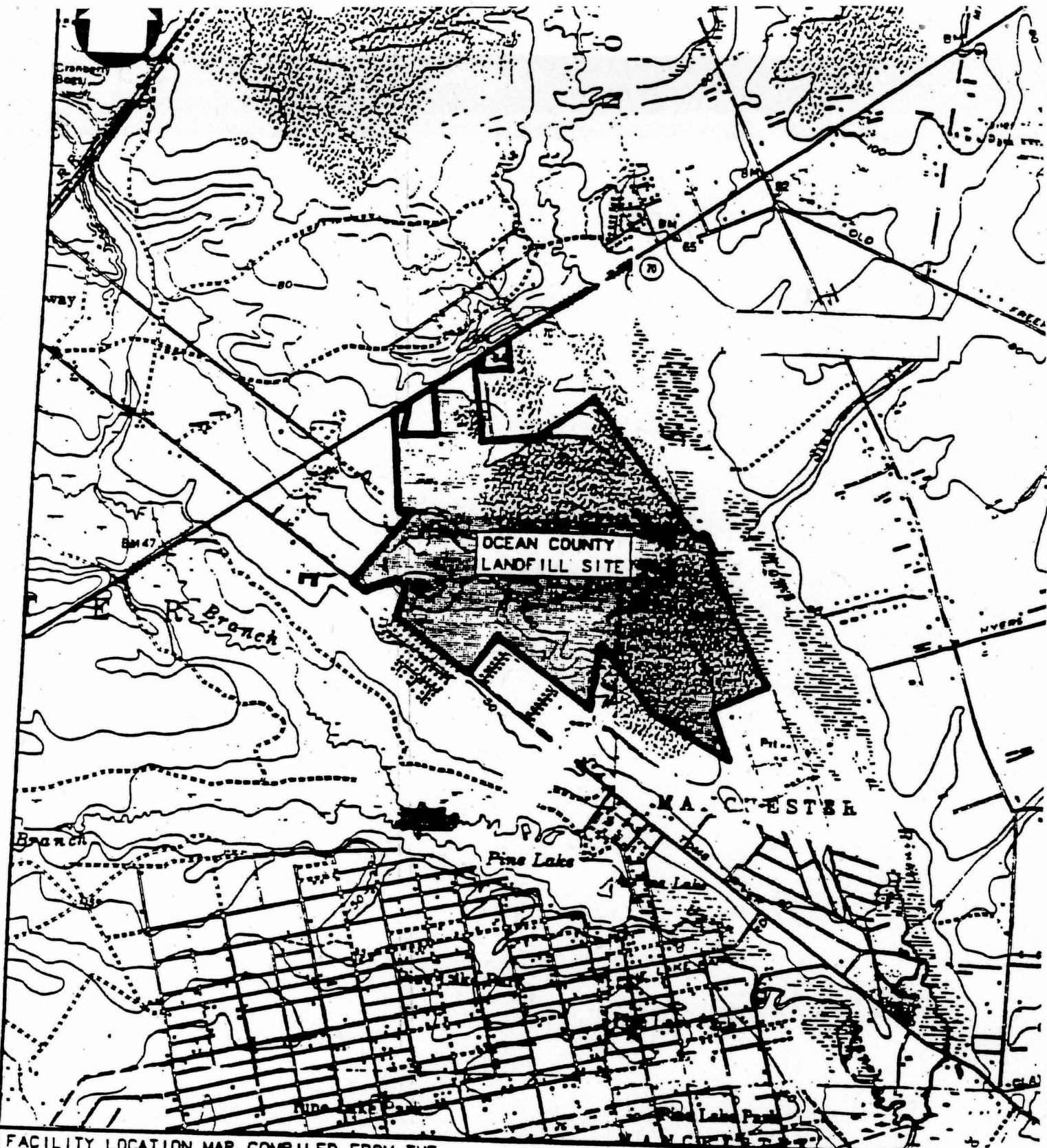
APLC, Inc.



ATLANTIC PIER COMPANY, INC

32308





FACILITY LOCATION MAP COMPILED FROM THE
FOLLOWING U.S.G.S. TOPOGRAPHIC MAPS:

- KENSWICK GROVE, 1957-PHOTO REVISED 1971
- LAKEHURST, 1957-PHOTO REVISED 1971
- LAKEWOOD, 1954-PHOTO REVISED 1971
- TOMS RIVER, 1953-PHOTO REVISED 1970



WehranEnviroTech

Wehran Engineering Corporation

APPENDIX A - EXHIBIT 7
MANCHESTER RENEWABLE POWER CORP.

SCHEDULE A

SCALE: 1" = 2000'

SCHEDULE B

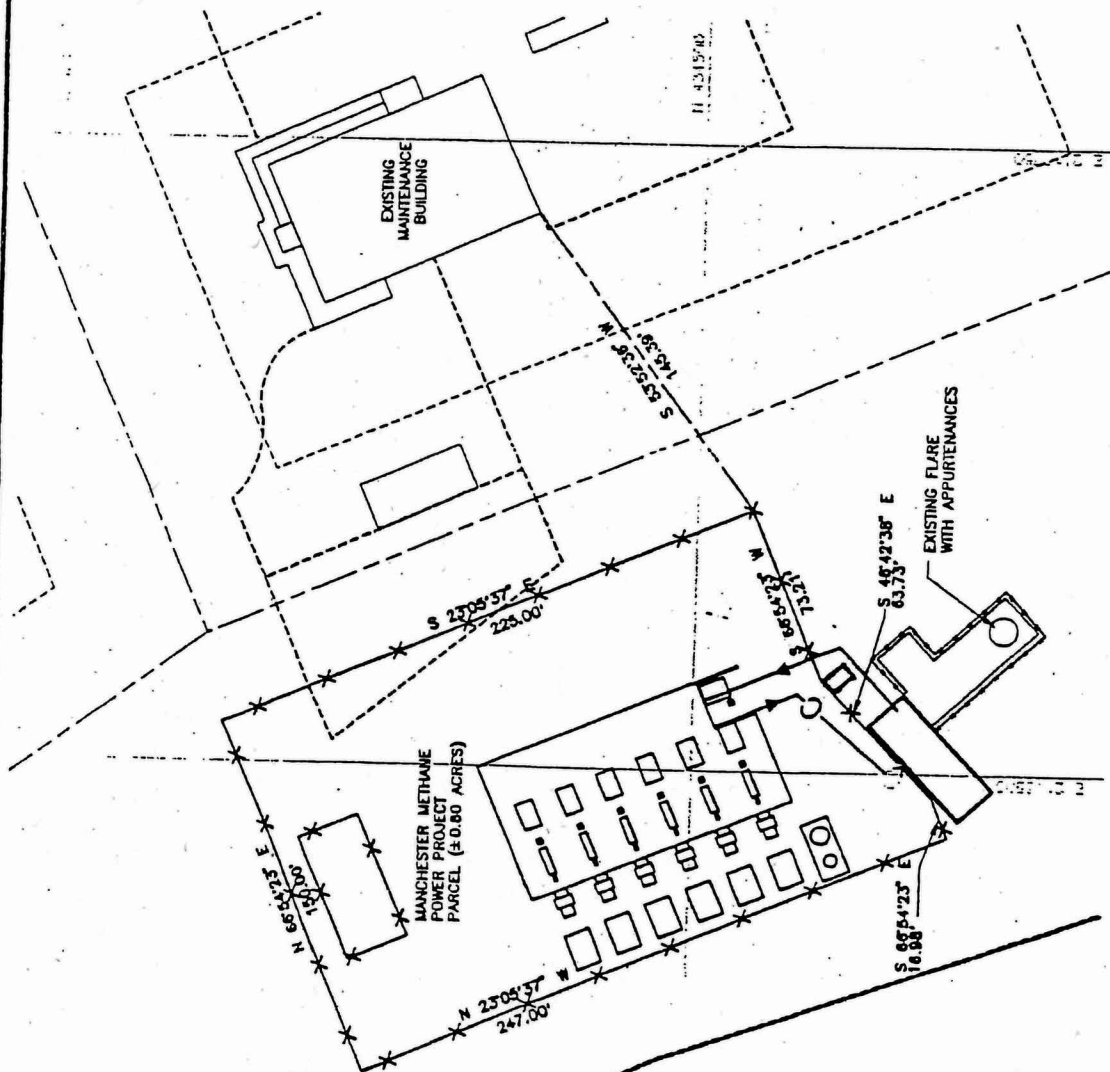
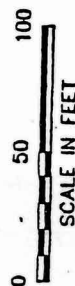
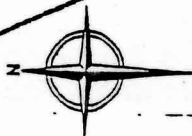
MANCHESTER METHANE POWER PROJECT PARCEL DESCRIPTION

All that certain piece, parcel or tract of land, situate, lying, and being located in Manchester Township, Ocean County, New Jersey, said parcel being a portion of Block 2 Lot 6 now or formerly of Ocean County Landfill Corporation and being further described as follows:

Beginning at a point, said point being the Southwest Corner of the Existing Maintenance Building at the Ocean County Landfill Corporation and running S 53° 52' 36" W 145.39 feet to the Point of Beginning; thence, S 66° 54' 23" W 73.21 feet; thence, S 46° 42' 38" W 63.73 feet; thence, S 66° 54' 23" W 16.98 feet; thence, N 23° 05' 37" W 247.00 feet; thence N 66° 54' 23" E 150.00 feet; thence, S 23° 05' 37" E 225.00 feet to the point or place of beginning.

Containing 0.80 acres of land more or less.

SCHEDULE B



FIGURE

1

PROJECT NO.
82125.016.000

OCEAN COUNTY LANDFILL CORP.
MANCHESTER METHANE POWER PROJECT
MANCHESTER COUNTY, OCEAN COUNTY, NJ

PARCEL

DATE 7/7/95

DWN DBT

APP RBP

REV



